

SCANNED
Date 1-27-06

FILE COPY
DO NOT REMOVE

**LINDON CITY CORPORATION
FINANCIAL STATEMENTS
And Supplementary Information
JUNE 30, 2005**

LINDON CITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

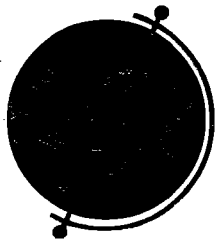
	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Statement of Net Assets	11
Government-wide Statement of Activities	12
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Budgetary Comparison Statements	
General Fund	16
Redevelopment Agency	19
Balance Sheet - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Funds	21
Statement of Cash Flows -Proprietary Funds	22
Notes to Financial Statements	24
Supplemental Information:	
Budgetary Comparative Schedule-Debt Service Fund	44
Budgetary Comparative Schedule-Special Improvement District	45
Budgetary Comparative Schedule-Capital Projects Fund	46

LINDON CITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Yellow Book and State Compliance Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46
Utah State Compliance Report Based on the Requirements, Special Tests and Provisions Required by the State of Utah's Legal Compliance Audit Guide	50

(The remainder of this page is intentionally left blank)



THE C.P.A. NETWORK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS

LOCAL FINANCIAL SPECIALISTS

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council and Mayor
Lindon City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lindon City Corporation, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005, on our consideration of Lindon City Corporation, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

Confiderus Group, Inc.

A Strategic Professional Alliance

Members:

The C.P.A. Network, LLC

Audits
Reviews
Compliations

Integritas Public Accounting, LC

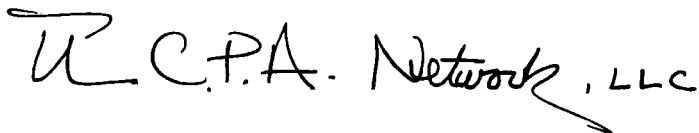
Tax
Accounting
Payroll
Business Consulting

Fibonacci Financial, LC

Financial Planning
Asset Management
Risk Management

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (on pages 3 through 10 and 44 through 46) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The C.P.A. Network, LLC

THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 15, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

This section of Lindon City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2005. We encourage readers to consider the information presented here in conjunction with the City's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government Wide

- The assets of Lindon City exceeded its liabilities as of June 30, 2005 by \$36,289,987 (net assets). Of this amount, \$5,668,445 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,123,885. Net assets of our business-type activities increased \$1,321,863 and the net assets of our governmental activities increased \$1,802,019, largely due to sales taxes.

Fund Level

- Lindon City's governmental funds reported combined ending fund balances this year of \$7,710,576, an increase of \$3,497,746. Most of this increase, \$2,575,200, was due to receiving bond proceeds to install 700 North. \$3,445,859 of the fund balance is available for spending at Lindon's discretion (unreserved fund balance).
- The unreserved fund balance for the general fund ended at \$1,982,079, or 45 percent of total general fund expenditures.

Long-term Debt

- Lindon City's total debt increased \$2,624,392 (16 percent) during the current fiscal year. This was a result of issuing a \$3.7 million bond while making the City's regular debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and the supplementary information including budgetary schedules for the capital project funds and the debt service fund. The basic financial statements include two kinds of statements that present different views of the City, government-wide financial statements and fund financial statements.

Government-wide financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The statements are designed to provide readers with a broad overview of Lindon City's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of Lindon City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's sales tax base and the condition of the City's roads.

The statement of activities presents information showing how Lindon City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lindon City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

governmental activities of Lindon City include general government, public safety, streets and public improvements, and parks and recreation. The business-type activities of Lindon City include operating the water, sewer, and storm water drainage systems and supervising the solid waste collection.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lindon City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lindon City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Lindon City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each governmental fund, four of which (general, redevelopment, debt service and special improvement district funds) are major funds. The fifth fund, which accounts for the capital improvement projects, is a non-major fund. It is presented with the major funds since it is the only nonmajor fund.

Lindon City adopts an annual appropriated budget for its general fund and other governmental funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

Proprietary funds. Lindon City maintains four enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Lindon City uses enterprise funds to account for its operation of the water, sewer, and storm water drainage systems as well as its supervision of the solid waste collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund, three of which (water, sewer, and storm water drainage) are major funds. The fourth fund, which accounts for solid waste collection, is a nonmajor fund. It is presented with the major funds since it is the only nonmajor fund.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 43-45 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lindon City, assets exceeded liabilities by \$36,289,987 as of June 30, 2005.

As indicated in Table A-1, the largest portion of Lindon City's net assets (71.5 percent) reflects its investment in capital assets (i.e. land, buildings, roads, sidewalks, utility systems, water rights and equipment), less any related debt used to acquire those assets that is still outstanding. Lindon City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lindon City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Lindon City's Net Assets
(in thousand of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$5,188	\$9,967	\$1,170	\$2,585	\$6,358	\$12,552	97.8%
Capital assets	\$16,980	\$16,635	\$27,805	\$28,453	\$44,785	\$45,088	2.0%
Total assets	\$22,168	\$26,602	\$29,975	\$31,038	\$52,143	\$61,690	17.2%
Long-term debt outstanding	\$6,597	\$8,511	\$8,713	\$9,441	\$15,310	\$17,951	17.3%
Other liabilities	\$2,540	\$3,160	\$620	\$544	\$3,161	\$3,704	17.2%
Total liabilities	\$9,137	\$11,671	\$9,333	\$9,984	\$18,470	\$21,655	17.2%
Net assets							
Invested in capital assets, net of related debt	\$7,369	\$7,284	\$18,787	\$18,888	\$26,156	\$26,052	-0.4%
Restricted	\$730	\$3,721	\$590	\$948	\$1,320	\$4,670	253.8%
Unrestricted	\$5,028	\$6,921	\$865	\$1,747	\$5,893	\$8,668	46.3%
Total net assets	\$13,124	\$14,926	\$20,042	\$21,364	\$33,166	\$36,290	9.4%

An additional portion of Lindon City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,668,445) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lindon City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Lindon's net assets increased 9.4%. The City's restricted net assets increased \$3.35 million due to bond proceeds received for the extension of 700 North Street. This bond is shared between governmental and business-type

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

activities since it is funding not only the road construction, but the installation of water and storm water drainage lines.

Changes in net assets. Sales and property taxes account for over one-third of the City's revenue (see figure A-1) with 46 cents of every dollar raised coming from some type of tax. Another 32 percent comes from fees charged for services, and most of the remaining miscellaneous revenue is made up of impact fees and assessments.

The City's expenses cover a range of services, with 70 percent from general government activities and 30 percent from business-type activities. Public safety, a major portion of general government activities, encompassed 16.8 percent of the City's total expenses. (See Figure A-2.)

Figure A-1
Lindon City
Sources of Revenue for Fiscal Year 2005

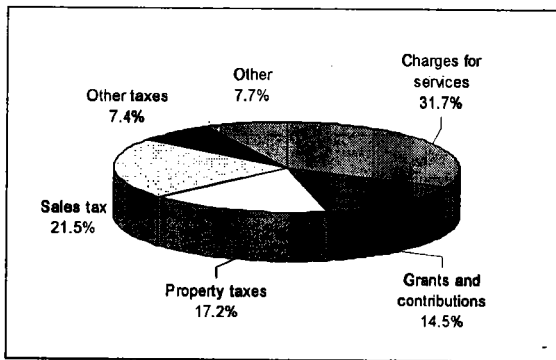
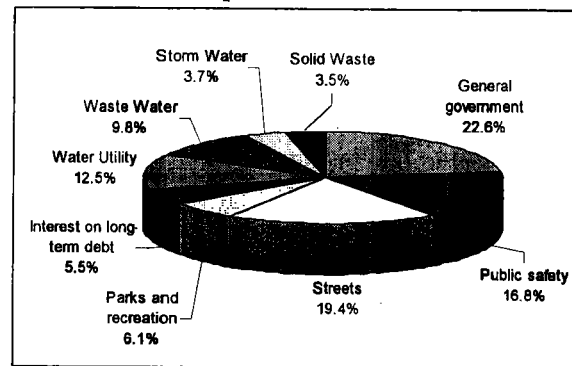


Figure A-2
Lindon City
Functional Expenses for Fiscal Year 2005



Governmental activities. As indicated in Table A-2, the cost of all governmental activities this year was \$5,354,740. However, the amount that taxes paid for these activities was \$3,836,024, the net cost of the governmental functions. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Some of the cost was paid by those who directly benefited from the services (\$853,236), or other governmental organizations that subsidized certain programs with grants and contributions (\$665,480). The City paid for the remaining "public benefit" portion with tax revenue.

Sales tax revenue increased 40.9% as a result of new businesses moving into the City, the most notable of which is Wal-mart. As 700 North Street is extended to the new highway interchange, the City expects more businesses and thus more sales tax revenue, to come to Lindon.

Business-type Activities. The cost of all business-type activities this year was \$2,248,245. The revenues exceeded costs by \$1,190,642. Factors contributing to these results included:

- Capital contributions by developers.
- A CDBG grant for capital improvements to the waste water system.

Charges for services increased 9 percent. Most of this was due to the City's efforts to capture lost revenue in the water division as well as an increase in the number of hook-ups due to growth.

**LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Table A-2
Lindon City's Changes in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues							
Program revenues							
Charges for services	\$682	\$853	\$2,334	\$2,548	\$3,016	\$3,401	12.7%
Grants and contributions		665	637	89	714	657	11.8%
General revenues							
Property taxes	1,779	1,846			1,779	1,846	3.7%
Sales tax	1,637	2,307			1,637	2,307	40.9%
Other taxes	626	794			626	794	26.9%
Other	1,959	399	502	482	1,761	622	55.3%
Total revenues	6,359	6,856	3,173	3,671	9,532	10,727	12.6%
Expenses							
General government	1,303	1,720			1,303	1,720	32.0%
Public safety	1,199	1,277			1,199	1,277	6.5%
Streets	1,246	473			1,246	473	18.8%
Parks and recreation		465			413	465	12.5%
Interest on long-term debt		420			452	420	-7.1%
Water utility			886	932	906	952	5.2%
Waste water			680	743	680	743	9.1%
Storm water			215	35	215	35	32.3%
Solid waste			261	268	261	268	2.6%
Total expenses	4,607	6,355	2,062	2,248	6,669	8,603	28.7%
Excess (deficiency) before transfers	1,752	1,502	1,111	1,622	2,863	3,124	9.1%
Transfers	240	300	(240)	(300)			
Increase (decrease) in net assets	\$1,992	\$1,802	\$871	\$1,322	\$2,863	\$3,124	9.1%

(The remainder of this page is left intentionally blank.)

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, Lindon City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. As Lindon City completed the year, its governmental funds reported a combined fund balance of \$7.7 million, an increase of 83 percent over last year. The following changes in fund balances should be noted:

- Lindon City issued a \$3.7 million sales tax revenue bond in June 2005 and received the proceeds, but the corresponding construction expenses have not yet occurred.
- Sales tax revenue has increased about \$670,000 or 41 percent due to the influx of new businesses, especially the Wal-mart Supercenter.

Proprietary funds. The net assets of the City's proprietary funds increased by \$1,321,866. As stated above, factors contributing to these results included:

- Capital contributions by developers.
- A CDBG grant for capital improvements to the waste water system.

General Fund Budgetary Highlights

The amended budget increased 39 percent or \$2.95 million above the original budget. The differences can be briefly summarized as follows:

- \$476,050 in increases allocated to sales tax and other tax revenue
- \$211,000 in increases allocated to court revenue, which was offset by \$205,163 allocated to court and attorney expenses
- \$1.65 million in increases allocated to Class C roads for 700 North funding

These increased revenues were offset by increased interfund transfers and appropriation to fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As indicated in Table A-3, at the end of fiscal 2005, the City had invested \$45,014,869 in a broad range of capital assets, including land, buildings, improvements, equipment, roads, sidewalks, water, sewer and storm water lines. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

This year's major capital asset additions included:

- Four new fleet vehicles and a new dump truck
- Park improvements for Pioneer and Hollow Parks and property purchase to expand Pheasant Brook Park
- Well reconstruction
- Slipline improvements to the sewer line on 600 North, west of State Street
- Storm water drainage improvements

LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Table A-3
Lindon City's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2004	2005	2004	2005	2004	2005	2004-2005
Land					\$10	\$13	30%
Water Stock			12,246	12,357	12,246	12,357	0.9%
Buildings	1,739	1,691			1,739	1,691	-2.8%
Infrastructure	11,790	11,990			11,790	11,990	1.7%
Water System			6,637	6,683	6,637	6,683	0.7%
Sewage System			2,870	2,932	2,870	2,932	2.1%
Storm Drain System			5,084	5,458	5,084	5,458	7.4%
Improvements	198	134			198	134	-32.3%
Equipment	72	57	89	98	160	155	-3.0%
Vehicles	45	66	11	36	56	102	83.6%
Total	\$16,380	\$16,582	\$27,805	\$28,432	\$44,186	\$45,015	1.9%

Long-term Debt

As indicated in Table A-4, at the year-end the City had \$18,950,990 in bonds and notes outstanding. More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements. Lindon City does not have any general obligation bonds. We would like to point out that most of the City's debt is backed by specific revenue streams. There are only three bonds which are paid with tax revenue. Two of these bonds were used to finance the City Center construction and property purchase for the cemetery. In June 2005, Lindon City secured a \$3.7 million bond with sales tax revenue in order to finance the extension of 700 North, which will occur in the 2005-06 fiscal year.

Table A-4
Lindon City's Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenue Bonds	\$5,691	\$7,322	\$9,019	\$9,743	\$14,710	\$17,065	19.4%
Notes Payable	65	58			65	58	-10.8%
S. D. Bonds	1,475	1,328			1,475	1,328	-10.0%
Line of Credit	77	-			77	-	100.0%
	\$7,308	\$9,208	\$9,019	\$9,743	\$16,327	\$18,951	16.1%

Lindon City's total debt increased \$2,624,392 (16 percent) during the current fiscal year. This was a result of issuing a \$3.7 million bond while making the City's regular debt service payments.

**LINDON CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- As of August 2005, the number of jobs in Utah County has increased 3.9 percent, which is higher than the state's increase of 3.6 percent and the country's increase of 1.7 percent.
- The unemployment rate for Utah stands at 4.4 percent, lower than the national average of 4.9 percent.
- A 3.5 percent inflation rate, provided by the U.S. Department of Labor as of April 2005, was considered in preparing the 2006 budget.

These indicators were taken into account when adopting the budget for fiscal 2006. A significant increase in sales tax revenues was budgeted due to new businesses that have come to Lindon City, including Wal-mart and several new car dealerships. The increased tax revenues will be used for capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Lindon City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Lindon City, 100 North State Street, Lindon, UT 84042.

BASIC FINANCIAL STATEMENTS

LINDON CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

<u>Assets</u>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current assets:			
Cash and cash equivalents	\$ 4,184,556	\$ 412,009	\$ 4,596,565
Cash and cash equivalents-restricted	4,197,281	2,295,636	6,492,917
Accounts receivable - net	0	302,021	302,021
Property taxes receivable	905,614	0	905,614
Sales taxes receivable	218,181	0	218,181
Other receivables	301,080	34,965	336,045
Prepaid expenses	4,805	0	4,805
Internal balances	150,000	(150,000)	0
Total current assets	9,961,517	2,894,631	12,856,148
Noncurrent assets:			
Capital assets:			
Non-depreciable			
Land	2,644,831	868,465	3,513,296
Water stock	0	12,356,523	12,356,523
Depreciable (net of accumulated depreciation)			
Buildings	1,690,720	0	1,690,720
Improvements	134,064	0	134,064
Equipment	57,487	97,980	155,467
Vehicles	65,789	36,133	101,922
Infrastructure	11,989,578	0	11,989,578
Water distribution system	0	6,683,203	6,683,203
Waste water collection system	0	2,932,263	2,932,263
Storm water drainage system	0	5,457,833	5,457,833
Net capital assets	16,582,469	28,432,400	45,014,869
Costs of issuance	52,984	21,016	74,000
Total noncurrent assets	16,635,453	28,453,416	45,088,869
Total assets	\$ 26,596,970	\$ 31,348,047	\$ 57,945,017
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 456,721	\$ 120,102	\$ 576,823
Deposits	668,058	1,500	669,558
Accrued interest payable	93,027	21,421	114,448
Compensated absences	38,921	23,201	62,122
Deferred revenue	188,856	10,830	199,686
Unearned revenue	898,385	0	898,385
Current portion of long term debt	816,128	366,652	1,182,780
Total current liabilities	3,160,096	543,706	3,703,802
Noncurrent liabilities:			
Note payable	50,911	0	50,911
Bonds payables	8,394,152	9,397,148	17,791,300
Compensated absences	65,449	43,568	109,017
Total noncurrent liabilities	8,510,512	9,440,716	17,951,228
Total liabilities	11,670,608	9,984,422	21,655,030
Net Assets:			
Invested in capital assets, net of related debt	7,283,663	18,668,195	25,951,858
Restricted for B&C roads	2,919,484	0	2,919,484
Restricted for impact fees	201,621	948,218	1,149,839
Restricted for debt service	600,361	0	600,361
Unrestricted	3,921,233	1,747,212	5,668,445
Total net assets	14,926,362	21,363,625	36,289,987
Total Liabilities and Net Assets	\$ 26,596,970	\$ 31,348,047	\$ 57,945,017

LINDON CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Charges for Services	Operating	Governmental Activities	Business-type Activities	Total
			Grants and Contributions			
Primary government:						
Governmental activities:						
General government	\$ 1,720,498	\$ 853,236	\$ 10,906	\$ (856,356)		\$ (856,356)
Public safety	1,276,569	0	0	(1,276,569)		(1,276,569)
Highways and public works	1,473,488	0	0	(818,914)		(818,914)
Parks and recreation	464,659	0	0	(464,659)		(464,659)
Interest on long-term debt	419,526	0	0	(419,526)		(419,526)
Total governmental activities	5,354,740	853,236	10,906	(3,836,024)		(3,836,024)
Business-type activities:						
Water Utility	952,187	1,278,684	0		\$ 681,234	681,234
Waste Water	742,949	764,831	0		149,141	149,141
Storm Water	284,916	218,689	0		343,103	343,103
Solid Waste	268,193	285,357	0		17,164	17,164
Total business-type activities	2,248,245	2,547,561	0		1,190,642	1,190,642
Total primary government	\$ 7,602,985	\$ 3,400,797	\$ 10,906	\$ (3,836,024)	\$ 1,190,642	\$ (2,645,382)
General revenues:						
Property taxes				1,846,207		1,846,207
General sales and use tax				2,306,639		2,306,639
Franchise tax				793,980		793,980
Impact fees				154,973	422,607	577,580
Unrestricted investment earnings				126,050	9,097	135,147
Miscellaneous				109,711	0	109,711
Transfers				300,483	(300,483)	0
Total general revenues and transfers				5,638,043	131,221	5,769,264
Change in net assets				1,802,019	1,321,863	3,123,882
Net assets - beginning (as restated)				13,124,343	20,041,762	33,166,105
Net assets - ending				\$ 14,926,362	\$ 21,363,625	\$ 36,289,987

The accompanying notes are an integral part of these financial statements.
See the accompanying independent auditor's report.

LINDON CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Revenue R.D.A.	Debt Service Fund	Special Improvement District	Other Governmental Capital Projects	Total Governmental Funds
Assets						
Cash and cash equivalents	\$2,345,924	\$ 551,032	\$ 0	\$ 109,569	\$ 1,178,031	\$ 4,184,556
Cash and cash equivalents-restricted	3,358,253	562,204	0	244,664	32,160	4,197,281
Receivables (net):						
Property tax	905,614	0	0	0	0	905,614
Sales tax	218,181	0	0	0	0	218,181
Franchise tax	66,708	0	0	0	0	66,708
Other	44,088	1,428	0	188,856	0	234,372
Prepaid expense	4,805	0	0	0	0	4,805
Due from other funds	150,000	0	0	0	0	150,000
Total assets	<u>7,093,573</u>	<u>1,114,664</u>	<u>0</u>	<u>543,089</u>	<u>1,210,191</u>	<u>9,961,517</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable & accrued liab	417,950	9,208	0	0	68,484	495,642
Deposits and bonds	540,127	120,744	0	0	0	660,871
Retainage	7,187	0	0	0	0	7,187
Deferred revenue	0	0	0	188,856	0	188,856
Unearned revenue	898,385	0	0	0	0	898,385
Total liabilities	<u>1,863,649</u>	<u>129,952</u>	<u>0</u>	<u>188,856</u>	<u>68,484</u>	<u>2,250,941</u>
Fund Balances:						
Fund balances reserved for:						
B&C Roads	344,144	0	0	0	0	344,144
Road impact fees	169,461	0	0	0	0	169,461
Improvements	2,575,340	543,251	0	0	0	3,118,591
Debt service	158,900	441,461	0	0	0	600,361
Park impact fees	0	0	0	0	32,160	32,160
Unreserved, reported in:						
General Fund	1,982,079	0	0	0	0	1,982,079
Capital Improvement Funds	0	0	0	354,233	1,109,547	1,463,780
Total fund balances	<u>5,229,924</u>	<u>984,712</u>	<u>0</u>	<u>354,233</u>	<u>1,141,707</u>	<u>7,710,576</u>
Total liabilities and fund balances	<u>\$7,093,573</u>	<u>\$ 1,114,664</u>	<u>\$ 0</u>	<u>\$ 543,089</u>	<u>\$ 1,210,191</u>	<u>\$ 9,961,517</u>

Fund balances reported for governmental activities in the entity wide balance sheet are different because:

Fund balances--total governmental funds	\$ 7,710,576
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,582,469
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,419,667)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	52,984
Net assets of governmental activities	<u>\$14,926,362</u>

The accompanying notes are an integral part of these financial statements.
See the accompanying independent auditor's report.

LINDON CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue R.D.A.	Debt Service Fund	Special Improvement District	Other Governmental Capital Projects General	Total Governmental Funds
<u>Revenues</u>						
Taxes	\$ 4,163,737	\$ 783,089	\$ 0	\$ 0	\$ 0	\$ 4,946,826
Licenses and permits	310,621	0	0	0	0	310,621
Intergovernmental	226,100	0	0	0	0	226,100
Charges for services	79,320	0	0	0	0	79,320
Fines and forfeitures	463,295	0	0	0	0	463,295
Impact fees	64,981	0	0	0	89,992	154,973
Miscellaneous revenue	215,412	26,786	0	149,154	3,831	395,183
	<u>5,523,466</u>	<u>809,875</u>	<u>0</u>	<u>149,154</u>	<u>93,823</u>	<u>6,576,318</u>
<u>Expenditures</u>						
Current:						
General government	1,408,846	89,126	0	3,835	0	1,501,807
Public safety	1,276,569	0	0	0	0	1,276,569
Streets	707,639	0	0	0	0	707,639
Parks and recreation	464,659	0	0	0	0	464,659
Capital Outlay	525,688	0	0	0	306,448	832,136
Debt service:						
Principal retirement	0	0	776,586	0	0	776,586
Interest and fiscal charges	0	0	341,376	0	0	341,376
	<u>4,383,401</u>	<u>89,126</u>	<u>1,117,962</u>	<u>3,835</u>	<u>306,448</u>	<u>5,900,772</u>
Excess revenues over (under) expenditures	<u>1,140,065</u>	<u>720,749</u>	<u>(1,117,962)</u>	<u>145,319</u>	<u>(212,625)</u>	<u>675,546</u>
<u>Other financing sources (uses)</u>						
Other financing sources (uses)	2,649,200	0	0	0	0	2,649,200
Transfers in	1,334,737	6,391	1,117,962	121,573	900,000	3,480,663
Transfers out	(2,327,568)	(615,858)	0	(236,753)	0	(3,180,179)
Grants & contributions	(127,484)	0	0	0	0	(127,484)
	<u>1,528,885</u>	<u>(609,467)</u>	<u>1,117,962</u>	<u>(115,180)</u>	<u>900,000</u>	<u>2,822,200</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>2,668,950</u>	<u>111,282</u>	<u>0</u>	<u>30,139</u>	<u>687,375</u>	<u>3,497,746</u>
Fund balances - beginning of year	<u>2,560,974</u>	<u>873,430</u>	<u>0</u>	<u>324,094</u>	<u>454,332</u>	<u>4,212,830</u>
Fund balances - end of year	<u>\$ 5,229,924</u>	<u>\$ 984,712</u>	<u>\$ 0</u>	<u>\$ 354,233</u>	<u>\$ 1,141,707</u>	<u>\$ 7,710,576</u>

The accompanying notes are an integral part of these financial statements.
 See the accompanying independent auditor's report.

LINDON CITY CORPORATION
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities (page 19) are different because:

Net change in fund balance--total governmental funds (page 21)	\$ 3,497,746
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(237,101)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	439,380
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,897,780)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(226)
Change in net assets of governmental activities (page 19)	<u>\$ 1,802,019</u>

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
GENERAL FUND
BUDGETARY COMPARISON STATEMENT - REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
Revenues				
Taxes:				
Property tax	\$ 820,630	\$ 860,000	\$ 863,188	\$ 3,188
Fee in lieu	110,000	110,000	115,838	5,838
Tax redemption	145,300	85,000	84,092	(908)
Sales and use	1,921,800	2,200,000	2,306,639	106,639
Franchise	567,600	750,000	749,673	(327)
Innkeepers	450	0	0	0
Telephone tax	39,100	55,000	44,307	(10,693)
	<u>3,604,880</u>	<u>4,060,000</u>	<u>4,163,737</u>	<u>103,737</u>
Licenses and Permits:				
Business licenses	57,000	58,600	59,445	845
Building permits	200,000	212,000	221,482	9,482
Plan checking fees	22,000	21,500	22,935	1,435
Other licenses and permits	5,270	6,450	6,759	309
	<u>284,270</u>	<u>298,550</u>	<u>310,621</u>	<u>12,071</u>
Intergovernmental Revenue:				
Class "C" road fund allotment	324,200	260,000	215,194	(44,806)
MAG Grant for Timp/Lake Trail	131,000	0	0	0
State liquor fund allotment	8,000	8,400	4,199	(4,201)
County Grants	0	6,707	6,707	0
	<u>463,200</u>	<u>275,107</u>	<u>226,100</u>	<u>(49,007)</u>
Charges for Services:				
Zoning and development fees	36,000	31,321	33,555	2,234
Parks and recreation	25,650	27,950	28,056	106
Weed abatement	0	1,593	1,593	0
Burial and assessments	10,000	13,000	15,835	2,835
Traffic control signs	0	280	281	1
	<u>71,650</u>	<u>74,144</u>	<u>79,320</u>	<u>5,175</u>
Miscellaneous Revenue:				
Fines and forfeitures	224,000	455,000	463,295	8,295
Impact fees	0	60,800	64,981	4,181
Interest earnings	39,800	84,325	92,028	7,703
Miscellaneous	90,750	70,235	123,384	53,149
	<u>354,550</u>	<u>670,360</u>	<u>743,688</u>	<u>73,328</u>
Total revenues	<u>4,778,550</u>	<u>5,378,161</u>	<u>5,523,466</u>	<u>145,304</u>
Other Financing Sources				
Other financing sources (uses)	2,000,000	2,649,186	2,649,200	14
Operating transfers in	794,068	1,334,736	1,334,737	1
Total other financing sources	<u>2,794,068</u>	<u>1,334,736</u>	<u>3,983,937</u>	<u>1</u>
Total revenue & other financing sources	<u>\$ 7,572,618</u>	<u>\$ 6,712,897</u>	<u>\$ 9,507,403</u>	<u>\$ 145,305</u>

LINDON CITY CORPORATION
GENERAL FUND
BUDGETARY COMPARISON STATEMENT - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund by Character				
	Current		Materials, Supplies & Services	Capital Outlay	Debt Service
<u>Expenditures</u>	<u>Salaries & Wages</u>	<u>Employee Benefits</u>			
General Government:					
Mayor and council	\$ 36,789	\$ 37,336	\$ 27,480	\$ 0	\$ 0
Judicial	74,217	36,231	273,211	0	0
Administrative	269,630	130,504	159,381	19,733	0
Elections	0	0	1,147	0	0
Buildings	0	0	52,096	2,943	0
Maintenance	0	0	0	0	0
Planning and zoning	76,708	34,308	199,808	0	0
	<u>457,344</u>	<u>238,379</u>	<u>713,123</u>	<u>22,676</u>	<u>0</u>
Public Safety:					
Law enforcement	0	0	850,937	0	0
Fire protection	0	0	165,038	0	0
Protective inspections	133,916	64,249	16,837	0	0
Animal control	0	0	45,592	0	0
	<u>133,916</u>	<u>64,249</u>	<u>1,078,404</u>	<u>0</u>	<u>0</u>
Street and Public Improvement:					
Streets	157,304	69,019	481,316	436,028	0
	<u>157,304</u>	<u>69,019</u>	<u>481,316</u>	<u>436,028</u>	<u>0</u>
Parks & Recreation:					
Parks	77,746	38,457	239,883	66,984	0
Cemetery	0	0	11,590	0	0
Recreation and culture	9,702	879	86,402	0	0
	<u>87,448</u>	<u>39,336</u>	<u>337,875</u>	<u>66,984</u>	<u>0</u>
Total expenditures	<u>836,012</u>	<u>410,983</u>	<u>2,610,718</u>	<u>525,688</u>	<u>0</u>
<u>Other Financing Uses</u>					
Transfer to other funds	0	0	2,327,568	0	0
Grants	0	0	1,500	0	0
Contributions	0	0	125,984	0	0
Total other financing uses	<u>0</u>	<u>0</u>	<u>2,455,052</u>	<u>0</u>	<u>0</u>
Total expenditures & other financing uses	<u>\$ 836,012</u>	<u>\$ 410,983</u>	<u>\$5,065,770</u>	<u>\$525,688</u>	<u>\$ 0</u>

General Fund Totals

Budget		Actual	Variance
Original	Final		
\$ 103,337	\$ 106,047	\$ 101,605	\$ 4,442
245,005	408,168	383,659	24,509
593,535	652,935	579,248	73,687
1,200	1,200	1,147	53
263,600	86,100	55,039	31,061
0	0	0	0
327,120	356,970	310,824	46,146
<u>1,533,797</u>	<u>1,611,420</u>	<u>1,431,522</u>	<u>179,898</u>
863,160	879,460	850,937	28,523
166,443	168,443	165,038	3,405
215,485	218,705	215,002	3,703
55,683	45,683	45,592	91
<u>1,300,771</u>	<u>1,312,291</u>	<u>1,276,569</u>	<u>35,722</u>
3,184,050	1,227,400	1,143,667	83,733
<u>3,184,050</u>	<u>1,227,400</u>	<u>1,143,667</u>	<u>83,733</u>
688,780	555,165	423,070	132,095
17,335	12,630	11,590	1,040
94,413	101,163	96,983	4,180
<u>800,528</u>	<u>668,958</u>	<u>531,643</u>	<u>137,315</u>
<u>6,819,146</u>	<u>4,820,069</u>	<u>4,383,401</u>	<u>436,668</u>
581,116	2,328,177	2,327,568	609
1,500	1,500	1,500	0
170,856	135,800	125,984	9,816
<u>753,472</u>	<u>2,465,477</u>	<u>2,455,052</u>	<u>10,425</u>
<u>\$7,572,618</u>	<u>\$7,285,546</u>	<u>\$ 6,838,453</u>	<u>\$ 447,093</u>

LINDON CITY CORPORATION
GENERAL FUND
BUDGETARY COMPARISON STATEMENT - REVENUES & EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
Revenues	\$ 4,778,550	\$ 5,378,161	\$ 5,523,466	\$ 145,305
Expenditures	<u>(6,819,146)</u>	<u>(4,820,069)</u>	<u>(4,383,401)</u>	<u>436,668</u>
Excess of revenues over expenditures	<u>(2,040,596)</u>	<u>558,092</u>	<u>1,140,065</u>	<u>581,973</u>
<u>Other Financing Sources and (Uses)</u>				
Other financing sources (uses)	2,000,000	2,649,186	2,649,200	14
Operating transfers in	794,068	1,334,736	1,334,737	1
Operating transfers out	(581,116)	(2,328,177)	(2,327,568)	609
Grants & contributions	<u>(172,356)</u>	<u>(137,300)</u>	<u>(127,484)</u>	<u>9,816</u>
Total other financing sources and (uses)	<u>2,040,596</u>	<u>1,518,445</u>	<u>1,528,885</u>	<u>10,440</u>
Excess (deficit) of revenues & other financing sources over expenditures & uses	<u>\$ 0</u>	<u>\$ 2,076,537</u>	2,668,950	<u>\$ 592,413</u>
Fund balance, July 1			<u>2,560,974</u>	
Fund balance, June 30			<u>\$ 5,229,924</u>	

LINDON CITY CORPORATION
SPECIAL REVENUE REDEVELOPMENT AGENCY (R.D.A.) FUND
BUDGETARY COMPARISON STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Tax increment	\$ 732,500	\$ 783,089	\$ 783,089	\$ 0
Interest income	8,500	23,200	26,786	3,586
	<u>741,000</u>	<u>806,289</u>	<u>809,875</u>	<u>3,586</u>
<u>Expenditures</u>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Materials, supplies & services	176,300	163,408	89,126	74,282
Capital outlay	0	0	0	0
Debt service	0	0	0	0
	<u>176,300</u>	<u>163,408</u>	<u>89,126</u>	<u>74,282</u>
Excess (deficit) of revenues over expenditures	<u>564,700</u>	<u>642,881</u>	<u>720,749</u>	<u>77,868</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	9,500	7,000	6,391	(609)
Operating transfers out	(582,617)	(623,881)	(615,858)	8,023
	<u>(573,117)</u>	<u>(616,881)</u>	<u>(609,467)</u>	<u>7,414</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ (8,417)</u>	<u>\$ 26,000</u>	111,282	<u>\$ 85,282</u>
Fund balance, July 1			<u>873,430</u>	
Fund balance, June 30			<u>\$ 984,712</u>	

LINDON CITY CORPORATION
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2005

Business-Type Activities - Enterprise Funds

<u>Assets</u>	Water	Waste Water	Storm Water	Non-major funds Solid Waste	Total
Current assets:					
Cash and cash equivalents	\$ 0	\$ 38,757	\$ 363,452	\$ 9,800	\$ 412,009
Cash and cash equivalents-restricted	929,346	670,690	695,600	0	2,295,636
Accounts receivable - net	161,738	84,887	22,397	32,999	302,021
Other receivables	12,359	22,606	0	0	34,965
Due from other funds	0	504,506	0	0	504,506
Total current assets	1,103,443	1,321,446	1,081,449	42,799	3,549,137
Noncurrent assets:					
Capital Assets					
Land	428,610	107,392	332,463	0	868,465
Water stock and rights	12,356,523	0	0	0	12,356,523
Water distribution system	9,961,089	0	0	0	9,961,089
Waste water collection system	0	4,731,564	0	0	4,731,564
Storm water drainage system	0	0	6,393,988	0	6,393,988
Machinery and equipment	145,941	367,343	0	0	513,284
Vehicles	109,517	23,239	0	0	132,756
Less: Accumulated depreciation	(3,439,750)	(2,149,364)	(936,155)	0	(6,525,269)
Net capital assets	19,561,930	3,080,174	5,790,296	0	28,432,400
Costs of issuance	7,104	0	13,912	0	21,016
Total noncurrent assets	19,569,034	3,080,174	5,804,208	0	28,453,416
Total assets	20,672,477	4,401,620	6,885,657	42,799	32,002,553
<u>Liabilities and Net Assets</u>					
Liabilities:					
Current liabilities:					
Accounts payable	31,431	49,450	17,288	21,933	120,102
Accrued compensate absences	11,486	9,968	1,747	0	23,201
Deposits	1,500	0	0	0	1,500
Due to other funds	504,506	0	150,000	0	654,506
Deferred revenue	10,830	0	0	0	10,830
Accrued interest payable	19,283	0	2,138	0	21,421
Current portion of long term debt	342,588	0	24,064	0	366,652
Total current liabilities	921,624	59,418	195,237	21,933	1,198,212
Noncurrent liabilities:					
Accrued compensate absences	20,000	20,023	3,545	0	43,568
Bonds payable	8,725,612	0	671,536	0	9,397,148
Total noncurrent liabilities	8,745,612	20,023	675,081	0	9,440,716
Total liabilities	9,667,236	79,441	870,318	21,933	10,638,928
Net Assets:					
Invested in capital assets, net of related debt	10,481,551	3,080,174	5,106,470	0	18,668,195
Restricted for impact fees	256,651	691,567	0	0	948,218
Unrestricted	267,039	550,438	908,869	20,866	1,747,212
Total net assets	11,005,241	4,322,179	6,015,339	20,866	21,363,625
Total Liabilities and Net Assets	\$ 20,672,477	\$ 4,401,620	\$ 6,885,657	\$ 42,799	\$ 32,002,553

LINDON CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds				Total
	Water	Waste Water	Storm Water	Non-major Funds Solid Waste	
<u>Operating revenues</u>					
Service fees	\$ -	\$ 736,978	\$ 218,670	\$ 285,357	\$ 1,241,005
Service fees - pledged as security for revenue bonds	1,200,193	0	0	0	1,200,193
Other fees	39,069	27,746	0	0	66,815
Impact fees	94,369	216,044	93,296	0	403,709
Impact fees - interest	4,995	13,903	0	0	18,898
Miscellaneous	39,422	107	19	0	39,548
	<u>1,378,048</u>	<u>994,778</u>	<u>311,985</u>	<u>285,357</u>	<u>2,970,168</u>
<u>Operating expenses</u>					
Salaries and wages	191,135	136,614	30,825	0	358,574
Employee benefits	93,339	67,264	13,885	0	174,488
Materials, supplies and services	380,429	412,538	78,652	268,193	1,139,812
Depreciation	234,738	126,533	159,416	0	520,687
	<u>899,641</u>	<u>742,949</u>	<u>282,778</u>	<u>268,193</u>	<u>2,193,561</u>
Operating income	<u>478,407</u>	<u>251,829</u>	<u>29,207</u>	<u>17,164</u>	<u>776,607</u>
<u>Nonoperating revenues (expenses)</u>					
Interest revenue	8,181	916	0	0	9,097
Interest expense	(52,546)	0	(2,138)	0	(54,684)
(CDBG) Grants	0	92,049	0	0	92,049
Total nonoperating revenue(expenses)	<u>(44,365)</u>	<u>92,965</u>	<u>(2,138)</u>	<u>0</u>	<u>46,462</u>
Income before contributions and transfers	<u>434,042</u>	<u>344,794</u>	<u>27,069</u>	<u>17,164</u>	<u>823,069</u>
Capital contributions	354,737	35,210	409,330	0	799,277
Transfers in	0	0	0	0	0
Transfers out	(144,505)	(102,505)	(41,905)	(11,568)	(300,483)
Change in net assets	<u>644,274</u>	<u>277,499</u>	<u>394,494</u>	<u>5,596</u>	<u>1,321,863</u>
Total net assets - beginning	<u>10,360,967</u>	<u>4,044,680</u>	<u>5,620,845</u>	<u>15,270</u>	<u>20,041,762</u>
Total net assets - ending	<u>\$11,005,241</u>	<u>\$ 4,322,179</u>	<u>\$ 6,015,339</u>	<u>\$ 20,866</u>	<u>\$ 21,363,625</u>

LINDON CITY CORPORATION
STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Waste Water	Storm Water	Non-Major Solid Waste	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,347,631	\$ 988,828	\$ 330,950	\$ 282,756	\$ 2,950,165
Payments to suppliers	(411,597)	(431,215)	(104,551)	(290,719)	(1,238,082)
Payments to employees	(281,448)	(203,015)	(39,418)	0	(523,881)
Deposits returned	(14,683)	0	0	0	(14,683)
Net cash provided (used) by operating activities	639,903	354,598	186,981	(7,963)	1,173,519
Cash Flows From Noncapital Financing Activities					
Proceeds from grants	0	92,049	0	0	92,049
Payments and loans from other funds	99,263	(99,263)	0	0	0
Transfer from (to) other funds	(144,505)	(102,505)	(41,905)	(11,568)	(300,483)
Net cash provided (used) by noncapital financing activities	(45,242)	(109,719)	(41,905)	(11,568)	(208,434)
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(101,058)	(123,797)	(123,795)	0	(348,650)
Proceeds from capital contributions	0	0	0	0	0
Proceeds from bond issuance	355,200	0	695,600	0	1,050,800
Bond issuance costs	(7,104)	0	(13,912)	0	(21,016)
Principal paid on capital debt	(305,500)	0	0	0	(305,500)
Interest paid on capital debt	(56,101)	0	0	0	(56,101)
Net cash provided (used) by capital and related financing activities	(114,563)	(123,797)	557,893	0	319,533
Cash Flows From Investing Activities					
Interest and dividends received	8,181	916	0	0	9,097
Purchase of investments	0	0	0	0	0
Net cash provided (used) by investing activities	8,181	916	0	0	9,097
Net increase (decrease) in cash and cash equivalents	488,279	121,998	702,969	(19,531)	1,293,715
Cash and cash equivalents - beginning	441,067	587,449	356,083	29,331	1,413,930
Cash and cash equivalents (deficit) - end	\$ 929,346	\$ 709,447	\$ 1,059,052	\$ 9,800	\$ 2,707,645
Cash and cash equivalents:					
Unrestricted	\$ 0	\$ 38,757	\$ 363,452	\$ 9,800	\$ 412,009
Restricted	929,346	670,690	695,600	0	2,295,636
Total	\$ 929,346	\$ 709,447	\$ 1,059,052	\$ 9,800	\$ 2,707,645

LINDON CITY CORPORATION
STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(continued from page)

	Business-Type Activities - Enterprise Funds				
	Water	Waste Water	Storm Water	Non-Major Solid Waste	Total
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 478,407	\$ 251,829	\$ 29,207	\$ 17,164	\$ 776,607
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	234,738	126,533	159,416	0	520,687
Noncash contributions	0	0	0	0	0
(Inc)/decrease in accounts rec.	(40,212)	(6,622)	(1,875)	(2,601)	(51,310)
(Inc)/decrease in other receiv.	(1,035)	672	20,840	0	20,477
Increase (decr.) in accounts payable	(31,168)	(18,677)	(25,899)	(22,526)	(98,270)
Increase (decr.) in accrued payroll	3,026	863	5,292	0	9,181
Increase (decr.) in deposits	(14,683)	0	0	0	(14,683)
Increase (decr.) in deferred revenue	10,830	0	0	0	10,830
Total adjustments	161,496	102,769	157,774	(25,127)	396,912
Net cash provided (used) by operating activities	\$ 639,903	\$ 354,598	\$ 186,981	\$ (7,963)	\$ 1,173,519

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

TABLE OF CONTENTS

<u>Note</u>	<u>Page</u>
1. Summary of Significant Accounting Policies	25
A. Organization	25
B. Reporting Entity	25
C. Government-wide and Fund Financial Statements	26
D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	26
E. Assets, Liabilities, and Net Assets	28
1. Deposits and Investments	28
2. Receivables and Payables	28
3. Restricted Assets	28
4. Capital Assets	29
5. Compensated Absences	29
6. Long-term Obligations	29
7. Fund Equity	30
F. Property Tax	30
G. Estimates	30
2. Cash, Cash Equivalents and Investments	31
3. Receivables - Other	32
4. Capital Assets	33
5. Long-Term Debt	34
6. Restricted Net Assets and Reserved Fund Balances	38
7. Retirement Plans	38
8. Enterprise Fund - Segment Information	40
9. Stewardship, Compliance and Accountability	41
10. Redevelopment Agency Required Disclosures	42
11. Subsequent Events	43

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Lindon City Corporation was incorporated on November 8, 1951, as a third class city, under the provisions of the Utah State Code.

The City operates under a Mayor-Council form of government and provides services authorized by its charter, including public safety, (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Some of these services are provided under contract with other entities.

B. Reporting Entity

Lindon City Corporation is a political subdivision of the State of Utah. It is governed by an elected mayor and five council members. The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of and for the year ended June 30, 2005.

For financial reporting purposes, Lindon City Corporation has included all funds, account groups, and component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City.

As required by generally accepted accounting principles, this report presents the financial information of both Lindon City Corporation (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of the component unit's operational or financial relationships with the City.

Blended Component Units

These component units are entities, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provides services almost entirely to Lindon City. They are reported as funds of the City. These organizations for which Lindon City is financially accountable, and the relationship with Lindon City is significant enough that exclusion would possibly lead to misleading or incomplete financial statements. To obtain separate individual component unit financial statements please send requests to Lindon City, c/o the City Administrator, 100 North State Street, Lindon, Utah 84042.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lindon City Redevelopment Agency. The Agency was established for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment and economic development projects within the area in which it is authorized to act. The Agency is reported as a special revenue fund.

Municipal Building Authority of Lindon City, Utah. The building authority was created on March 14, 1997 under the provisions of the Utah Municipal Building Authority Act. The object and purposes are to acquire, improve, or extend one or more projects and to finance their costs on behalf of the City in accordance and subject to the limitations of the Utah Municipal Building Authority Act and subject to prior authorization by the governing body of the City. The Building Authority activity is reported in the debt service fund.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of balance sheet and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The state of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency special revenue fund reports the activities of the Agency as described above.

The Debt Service fund reports the payments of long term debt.

The Special Improvement District capital projects fund reports the projects of the S.I.D.

The government reports the following major proprietary funds:

The water fund accounts for the activities of the city's water utility. The city operates a water distribution system.

The waste water fund accounts for the activities of the city's sewer utility.

The storm water fund accounts for the activities of the city's storm drain utility.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and various other functions of the government. Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and the ice sheet enterprise fund are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash and cash equivalents consists of amounts in demand and certificates of deposit and all highly liquid investments maturing within three months. Cash balances are invested to the extent available.

Investments include obligations of the U.S. Treasury, commercial paper, corporate bonds and purchase agreements. Investments are stated at cost or amortized cost.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible.

3. Restricted Assets

Cash and investments are often restricted to a particular use due to statutory, budgetary or legal requirements and are therefore classified as "restricted" on the City's balance sheets.

4. Capital Assets

Capital assets, which include property, land, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets (Continued)

wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (equipment 5-50 years).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and a liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose or tentative management plans that are subject to change.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

Property taxes are levied on January 1, giving the City legal claim on that date. The taxes are due on November 1 and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The uncollected, measurable amounts have been accrued as deferred revenue.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Money Management Act also defined the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2005 were \$4,516,628. Of these, \$4,294,659 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment. The city does not have a formal policy for custodial credit risk.

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2005 the city had the following investments

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>More Than 1</u>
Utah Public Treasurer's Investment Fund	\$ 6,543,842	\$ 6,543,842	\$ 0
	<u>\$ 6,543,842</u>	<u>\$ 6,543,842</u>	<u>\$ 0</u>

There is no material difference between the fair values and carrying amounts of the State Treasurer's Pool shares (fair value per share factor is 1.000154).

As of June 30, 2005 the City had the following deposits and investments

Amounts per Financial Institution and Reconciling Items

Deposits	\$ 4,516,628
Deposits in transit	38,375
Outstanding checks	(10,363)
Cash on hand	1,000
Investment in State Treasurer's Pool	6,543,842
	<u>\$ 11,089,482</u>

Amounts per Balance Sheet

Cash and cash equivalents	\$ 8,549,182
Cash and cash equivalents - restricted	2,540,300
Total	<u>\$ 11,089,482</u>

NOTE 3 - RECEIVABLES - OTHER

Other receivables at June 30, 2005 consists of the following:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total 2005</u>
Franchise taxes	\$ 66,708	\$ 0	\$ 66,708
Tax increment	1,427	0	1,427
Cemetery	2,387	0	2,387
Miscellaneous	31,770	34,965	66,735
S.I.D. assessments	188,857	0	188,857
Weed abatement	9,931	0	9,931
	<u>\$ 301,080</u>	<u>\$ 34,965</u>	<u>\$ 336,045</u>

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - GENERAL FIXED ASSETS

The following is a summary of changes in the governmental activities:

	Beginning Balance 7/1/2004	Additions	Retirements	Accumulated Depreciation	Ending Balance 6/30/2005
Capital assets not being depreciated:					
Land	\$ 2,537,248	\$ 107,583	\$ 0	\$ 0	\$ 2,644,831
Capital assets being depreciated:					
Buildings	2,029,943	2,943	-	(342,166)	1,690,720
Infrastructure	18,752,560	932,413	0	(7,695,395)	11,989,578
Improvements	583,341	0	0	(449,277)	134,064
Equipment	893,601	168,013	(142,865)	(861,262)	57,487
Vehicles	254,888	60,564	(16,558)	(233,105)	65,789
	<u>22,514,333</u>	<u>1,163,933</u>	<u>(159,423)</u>	<u>(9,581,205)</u>	<u>13,937,638</u>
Total	<u>\$ 25,051,581</u>	<u>\$ 1,271,516</u>	<u>\$ (159,423)</u>	<u>\$ (9,581,205)</u>	<u>\$ 16,582,469</u>

The following is a summary of changes in the business-type activities:

	Beginning Balance 7/1/2004	Additions	Retirements	Accumulated Depreciation	Ending Balance 6/30/2005
Capital assets not being depreciated:					
Land	\$ 868,465	\$ 0	\$ 0	\$ 0	\$ 868,465
Water Stock	12,246,348	110,175	0	0	12,356,523
	<u>13,114,813</u>	<u>110,175</u>	<u>-</u>	<u>-</u>	<u>13,224,988</u>
Capital assets being depreciated:					
Water System	9,686,874	274,215	-	(3,277,886)	6,683,203
Sewage System	4,574,557	157,007	0	(1,799,301)	2,932,263
Drain System	5,860,863	533,125	0	(936,155)	5,457,833
Equipment	549,396	43,753	(79,865)	(415,304)	97,980
Vehicles	23,239	109,517	0	(96,623)	36,133
	<u>20,694,929</u>	<u>1,117,617</u>	<u>(79,865)</u>	<u>(6,525,269)</u>	<u>15,207,412</u>
Total	<u>\$ 33,809,742</u>	<u>\$ 1,227,792</u>	<u>\$ (79,865)</u>	<u>\$ (6,525,269)</u>	<u>\$ 28,432,400</u>

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT

Descriptions of long-term debt follow:

Business type activities.

The Utah Irrigation Water Revenue Bonds Series 1992 consisted of \$3,385,000 in debt issued with coupons ranging from 1.5 to 6.95%. The proceeds were used to finance construction of a secondary - irrigation water system. The principal outstanding at June 30, 2005 was \$427,000 with interest requirements totaling \$32,285.

The Water Revenue Bonds Series 1994, Lindon City, Utah consisted of \$1,404,000 in debt issued to finance additions and improvements to the culinary water system. Debt service payments are made annually with interest at 2.5%. The principal outstanding at June 30, 2005 was \$886,000 with interest requirements totaling \$78,375.

The City entered into an agreement with the Central Utah Water Conservancy District (CUWCD) for a Central Utah Projects (CUP) Revenue Bond in August of 1997 for rights to 1,425 acre feet of water per year for 50 years starting in 1998 at an estimated cost of \$160 per acre foot. The City is deferring payments for 10 years, amortizing the payments over forty years. In January 2000, the City received a grant of \$1,899,011 from CUWCD. As part of the terms of the grant, the City gave back rights to 500 acre feet, leaving the City with rights to 925 acre feet per year. The estimated principal balance at June 30, 2005 was \$7,400,000.

The Sales Tax Revenue Bonds Series 2005 was issued for \$3,700,000. Debt service payments are made annually with interest at 3.75%. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The principal outstanding at June 30, 2005 for the Water portion of this debt was \$355,200 with interest requirements totaling \$156,038 and for the Storm Water portion was \$695,600 with interest requirements totaling \$305,575.20.

Governmental activities.

The Excise Tax Road Bonds, Series 1998, Lindon City, Utah were issued October 8, 1998 in the amount of \$1,545,000 with a coupon rate of 4.10%. The proceeds were used for additions, repairs and improvements to Class C roads within Lindon City. The principal outstanding at June 30, 2005 was \$566,000 with interest requirements totaling \$41,420.

The Tax Increment Revenue Refunding Notes, Series 1995 were issued by the Lindon City Redevelopment Agency on June 1, 1995 in the amount of \$384,000 with coupons ranging from 5.00% to 5.68%. The proceeds were used to pay off the Series 1990 Refunding Bond, which was used to refund the Neighborhood Redevelopment Tax Increment Bonds, Series 1986. The principal outstanding at June 30, 2005 was \$46,000 with interest requirements totaling \$2,613. Although it is included in the general long-term debt account group of Lindon City for reporting purposes, Lindon City has no obligation to repay these bonds. The bonds are repaid from the tax increment revenue of the Redevelopment Agency.

The Lindon City Redevelopment Agency, Utah Neighborhood Redevelopment Tax Increment Revenue Bonds, Series 1999 were issued by the Lindon City Redevelopment Agency in December 1999 in the amount of \$4,000,000 with a coupon rate of 6.38%. The proceeds were used to install infrastructure and related improvements as part of the District Three Redevelopment Project Area. The principal outstanding at June 30, 2005 was \$2,986,000 with interest requirements totaling \$1,210,222. Although it is included in the general long-term debt account group of Lindon City

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT (Continued)

for reporting purposes, Lindon City has no obligation to repay these bonds. The bonds are repaid from the tax increment revenue of the Redevelopment Agency.

The Municipal Building Authority of Lindon City, Utah Lease Revenue Refunding Bonds, Series 1999 were issued January 26, 1999 in the amount of \$897,000 with a coupon rate ranging from 4.0 to 4.65%. The proceeds were used to refund the Municipal Building Authority of Lindon, Utah Lease Revenue Bonds, Series 1996 which were used to construct the Lindon City Offices. The principal outstanding at June 30, 2005 for the Series 1999 Bonds was \$272,000 with interest requirements totaling \$12,754.

The Municipal Building Authority of Lindon City, Utah Lease Revenue Bond (Capital Appreciation Bond) Series 2000B was issued on November 3, 2000 in the amount of \$1,090,832 to be paid no later than August 1, 2010 with a coupon rate of 6.00%. The bond was issued in exchange for right-of-way property for a new interchange constructed by Utah Department of Transportation on Interstate 15. The principal outstanding at June 30, 2005 was \$1,321,473 with interest requirements totaling \$619,164.

The Special Improvement District Bonds (Lindon Gateway Project) No. 00-01 Series 2001 in the amount of \$2,400,000 were issued in July 2001 with a coupon rate of 5.60%. The proceeds were used to fund special improvements that benefitted property owners in the Lindon Gateway Project area. The property owners are assessed annually to retire the bonds. The principal outstanding at June 30, 2005 was \$1,328,000 with interest requirements totaling \$211,176.

The Sales Tax Revenue Bonds Series 2005 was issued for \$3,700,000. Debt service payments are made annually with interest at 3.75%. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The principal outstanding at June 30, 2005 for the Water portion of this debt was \$355,200 with interest requirements totaling \$156,038 and for the Storm Water portion was \$695,600 with interest requirements totaling \$305,575.20.

The City entered into a Real Estate Installment Purchase agreement in January of 1992. The City purchased 7 acres of land and 7 shares of North Union Water for \$175,000 to construct a cemetery. A down payment of \$50,000 was made and the remaining \$125,000 was to be paid over 20 years at 5.00%. Title to 3 acres was transferred upon payment of the first \$50,000. Title to another 2 acres will be transferred to the City after a second \$50,000 has been paid. Title to the final 2 acres will be transferred to the City at completion of the contract on February 1, 2012. The principal outstanding at June 30, 2005 was \$58,039 with interest requirements totaling \$2,902.

The City established and used a \$350,000 line of credit with Zions Bank to purchase 19 acres for the Geneva Resort Park during the 1999-2000 fiscal year. The interest rate is 70% of prime rate. The principal outstanding at June 30, 2005 was \$0 with interest requirements totaling \$0.

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2005:

Business-type activities:

Revenue Bonds

Irrigation Water Revenue Bonds	\$ 427,000
Culinary Water Revenue Bonds	886,000
CUP Revenue Bonds	7,400,000
Sales Tax Revenue Bonds - Water	355,200
Cost of Issuance - Water	(7,104)
Sales Tax Revenue Bonds - Storm Water	695,600
Cost of Issuance - Storm Water	(13,912)
Total	<u>\$ 9,742,784</u>

Governmental activities:

Revenue Bonds

Road Bonds - 98 Excise Tax	\$ 566,000
RDA Revenue - Series 1999 Dist. 3	2,986,000
MBA Lease Bonds - Series 1999	272,000
MBA Revenue - Series 2000B	1,401,952
Sales Tax Revenue Bonds - Series 2005	2,649,200
Cost of Issuance	(52,984)
	<u>7,822,168</u>

Notes Payable

Cemetery Real Estate	58,039
SID 2000-1 - Gateway	1,328,000
	<u>1,386,039</u>

Total Bonds and Notes Payable

9,208,207

Accrued Compensated Absences

104,370

Total

\$ 9,312,577

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT (Continued)

The following is a schedule of bond & note maturities by year:

Business-type activities:

	Interest	Principal	Total
2006	82,905	366,652	449,557
2007	68,077	394,188	462,265
2008	52,286	378,908	431,194
2009	46,952	398,328	445,280
2010	41,115	435,032	476,147
2011-2015	145,759	1,249,584	1,395,343
2016-2020	96,106	1,207,012	1,303,118
2021-2025	39,075	1,264,096	1,303,171
2026-2030	-	925,000	925,000
2031-2035	-	925,000	925,000
2036-2040	-	925,000	925,000
2041-2045	-	925,000	925,000
2046-2050	-	370,000	370,000
Total	<u>\$ 572,274</u>	<u>\$ 9,763,800</u>	<u>\$ 10,336,074</u>

Governmental activities:

2006	397,319	1,411,687	1,809,006
2007	322,069	678,512	1,000,581
2008	291,224	595,092	886,316
2009	261,950	481,672	743,622
2010	237,066	460,968	698,034
2011-2015	1,330,511	4,067,368	5,397,879
2016-2020	242,294	710,988	953,282
2021-2025	98,513	854,904	953,417
Total	<u>\$ 3,180,946</u>	<u>\$ 9,261,191</u>	<u>\$ 12,442,137</u>

During the year ended June 30, 2005, the following changes occurred in liabilities reported in the:

Governmental activities:

	Beginning Balance 7/1/2004	Additions	Retirements	Ending Balance 6/1/2005
Bonds	\$ 7,166,473	\$ 2,676,695	\$ (693,000)	\$ 9,150,168
Notes payable	64,828	-	(6,789)	58,039
Subtotal	<u>7,231,301</u>	<u>2,676,695</u>	<u>(699,789)</u>	<u>9,208,207</u>
L.O.C.	76,797	0	(76,797)	0
Accrued compensated absences	65,449	38,921	0	104,370
Total	<u>\$ 7,373,547</u>	<u>\$ 2,715,616</u>	<u>\$ (776,586)</u>	<u>\$ 9,312,576</u>

Business-type activities:

Revenue Bonds	\$ 9,018,500	\$ 1,029,784	\$ (305,500)	\$ 9,742,784
Accrued compensated absences	66,771	-	(2)	66,769
Total	<u>\$ 9,085,271</u>	<u>\$ 1,029,784</u>	<u>\$ (305,502)</u>	<u>\$ 9,809,553</u>

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - RESTRICTED NET ASSETS AND RESERVED FUND BALANCES

Restricted Net Assets

Governmental activities restrictions on net assets:

Unspent B&C Road funds	\$ 2,919,484
Road Impact Fees	\$ 169,461
Park Impact Fees	\$ 32,160
Total Impact Fees	<u>\$ 201,621</u>
Debt Service	\$ 600,361

Business type activities restrictions on net assets:

Water Impact Fees	\$ 256,651
Waste Water Impact Fees	\$ 691,567
Total Impact Fees	<u>\$ 948,218</u>

Governmental Funds Reserved Fund Balances

General Fund Reservations	
Unspent B&C Road funds	\$ 344,144
Road Impact Fees	\$ 169,461
Improvements	\$ 2,575,340
Debt Service	\$ 158,900
Special Revenue Fund Reservations	
RDA improvements	
State Street, West Side, and District 3	\$ 543,251
Debt Service	\$ 441,461
Capital Projects Fund Reservations	
Park Impact Fees	\$ 32,160

NOTE 7 - RETIREMENT PLANS

Cost-Sharing Multi-Employer Defined Benefits Pension Plan

Plan Description

The City contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Government Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost-of-living allowances, death benefits, and

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - RETIREMENT PLANS (Continued)

refunds to plan members and beneficiaries in accordance with statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Noncontributory System, the City is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49 of the Utah Code Annotated 1953.

The City contributions to the various systems for the years ending June 30, 2005, 2004, and 2003 respectively were; for the Noncontributory System, \$116,225, \$91,052, and \$83,478. The contributions were equal to the required contributions for each year.

Defined Contribution Plan

The City participates in a 401(k) plan managed by the Utah State Retirement System (Systems). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(k), the City contributed 4.5% of salaries for the year ended June 30, 2005. The City contributions for the years ending June 30, 2005, 2004 and 2003 respectively were \$36,955, \$33,705, and \$33,725. Employee contributions for the years ending June 30, 2005, 2004 and 2003 respectively were \$67,129, \$44,209, and \$41,667.

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - ENTERPRISE FUND - SEGMENT INFORMATION

Lindon City Corporation issued revenue bonds to finance its water fund and storm water fund. Investors in these revenue bonds rely solely on the revenue generated by fees from the water fund and the storm water fund. Summary financial information for the water fund is presented below.

Condensed Statement of Net Assets	<u>Water</u>	<u>Storm Water</u>
Assets		
Current assets	\$ 1,103,443	\$ 1,081,449
Capital assets	19,569,034	5,804,208
Total assets	<u>\$ 20,672,477</u>	<u>\$ 6,885,657</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities	\$ 417,118	\$ 45,237
Due to other funds	504,506	150,000
Noncurrent liabilities	8,745,612	675,081
Total liabilities	<u>9,667,236</u>	<u>870,318</u>
Net assets		
Invested in capital assets, net of related debt	10,481,551	5,106,470
Restricted	256,651	0
Unrestricted	267,039	908,869
Total net assets	<u>11,005,241</u>	<u>6,015,339</u>
Total liabilities and net assets	<u>\$ 20,672,477</u>	<u>\$ 6,885,657</u>

Condensed Statement of Revenues, Expenses and changes in Net Assets		
Revenue (pledged against bonds)	\$ 1,200,193	\$ 218,670
Other operating revenue	177,855	93,315
Operating revenues	1,378,048	311,985
Operating expenses	(664,903)	(123,362)
Depreciation	(234,738)	(159,416)
Operating income (loss)	478,407	29,207
Non-operating income	8,181	0
Interest expense	(52,546)	(2,138)
Capital contributions	354,737	409,330
Operating transfers in (out)	(144,505)	(41,905)
Change in net assets	644,274	394,494
Total net assets - beginning	10,360,967	5,620,845
Total net assets - ending	<u>\$ 11,005,241</u>	<u>\$ 6,015,339</u>

Condensed Statement of Cash Flows		
Net cash provided by:		
Operating activities	\$ 639,903	\$ 186,981
Noncapital financing activities	(45,242)	(41,905)
Capital and related financing activities	(114,563)	557,893
Investing activities	8,181	0
Net increase (decrease)	488,279	702,969
Cash and cash equivalents - beginning	441,067	356,083
Cash and cash equivalents - ending	<u>\$ 929,346</u>	<u>\$ 1,059,052</u>

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in accordance with Utah Code in establishing the budgetary data reflected in the financial statements:

On or before the first regularly scheduled meeting of the Mayor and City Council in May, the treasurer prepares a tentative budget for the ensuing fiscal year.

The tentative budget as adopted by the Mayor and City Council is then made available to the public for inspection for a period of at least ten days prior to the adoption of the final budget.

Prior to June 22, the budget is legally enacted through passage of a resolution.

The City Council approves, by resolution, total budget appropriations only. The city treasurer is authorized to transfer any unexpended appropriation balances from one expenditure account to another within departments during the budget year. The originally adopted budget may be amended during the year. The City Council by resolution may transfer any unexpended appropriation balance from one department to another within the same fund. In order to increase expenditures in any fund the City must hold a public hearing in addition to passing a resolution.

Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year on June 30.

Unused capital project fund appropriations are carried into the subsequent fiscal year.

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 - REDEVELOPMENT AGENCY REQUIRED DISCLOSURES

For the year ended June 30, 2005, the following activity occurred in the Lindon City Redevelopment Agency:

Tax increment collected from other taxing agencies for Project Area:

State Street	\$119,533
West Side	116,788
District # 3	<u>546,768</u>
Total	<u><u>\$783,089</u></u>

Tax increment paid to other taxing agencies	\$0
Outstanding loans to finance RDA projects	\$2,986,000
Amounts expended for acquisition of property	\$0
Amounts expended for site improvements and preparation costs	\$7,763
Amounts expended for installation of public utilities or other public improvements	\$0
Amounts expended for administrative costs	\$28,500

(The remainder of this page is intentionally left blank)

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 - SUBSEQUENT EVENTS

On August 30, 2005 the City refinanced its Series 1999 Utah Neighborhood Redevelopment Tax Increment Revenue Bonds for the amount of \$3,095,000 with a coupon rate of 3.92% and 10 annual payments.

On August 31, 2005 the City refinanced its Series 2000B Utah Lease Revenue Bond (Capital Appreciation Bond) for the amount of \$1,492,000 with a coupon rate of 3.58% and 5 annual payments.

On November 4, 2005 the City entered into a lease purchase agreement with Western Community Bank, for the purchase of equipment, for the amount of \$177,915 with an interest rate of 3.9% and 3 annual payments

(The remainder of this page is intentionally left blank)

SUPPLEMENTAL INFORMATION

The supplemental information section provides the reader with additional information about the basic financial statements.

LINDON CITY CORPORATION
DEBT SERVICE
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Tax increment	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Expenditures</u>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Materials, supplies & services	0	0	0	0
Capital outlay	0	0	0	0
Debt service:				
Principal	776,589	776,586	776,586	0
Interest	342,072	341,636	341,376	260
	<u>1,118,661</u>	<u>1,118,222</u>	<u>1,117,962</u>	<u>260</u>
Excess (deficit) of revenues over expenditures	<u>(1,118,661)</u>	<u>(1,118,222)</u>	<u>(1,117,962)</u>	<u>260</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	1,118,661	1,118,222	1,117,962	(260)
Operating transfers out	0	0	0	0
	<u>1,118,661</u>	<u>1,118,222</u>	<u>1,117,962</u>	<u>(260)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	0	<u>\$ -</u>
Fund balance, July 1			<u>0</u>	
Fund balance, June 30			<u>\$ -</u>	

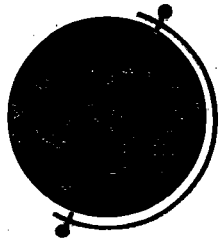
LINDON CITY CORPORATION
SPECIAL IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
SID proceeds	\$ 145,749	\$ 150,860	\$ 145,749	\$ (5,111)
SID interest	800	2,800	3,405	605
	<u>146,549</u>	<u>153,660</u>	<u>149,154</u>	<u>(4,506)</u>
<u>Expenditures</u>				
Materials, supplies & services	3,835	3,835	3,835	0
	<u>3,835</u>	<u>3,835</u>	<u>3,835</u>	<u>0</u>
Excess (deficit) of revenues over expenditures	<u>142,714</u>	<u>149,825</u>	<u>145,319</u>	<u>(4,506)</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	88,072	129,336	121,573	(7,763)
Operating transfers out	<u>(236,753)</u>	<u>(236,753)</u>	<u>(236,753)</u>	<u>0</u>
	<u>(148,681)</u>	<u>(107,417)</u>	<u>(115,180)</u>	<u>(7,763)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ (5,967)</u>	<u>\$ 42,408</u>	30,139	<u>\$ (12,269)</u>
Fund balance, July 1			<u>324,094</u>	
Fund balance, June 30			<u>\$ 354,233</u>	

LINDON CITY CORPORATION
GENERAL CAPITAL PROJECTS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Impact fees	\$ 83,000	\$ 88,500	\$ 89,992	\$ 1,492
Impact fees - interest	1,000	4,000	3,831	(169)
	<u>84,000</u>	<u>92,500</u>	<u>93,823</u>	<u>1,323</u>
<u>Expenditures</u>				
Capital outlay:				
Parks and recreation	923,700	454,068	306,448	147,620
	<u>923,700</u>	<u>454,068</u>	<u>306,448</u>	<u>147,620</u>
Excess (deficit) of revenues over expenditures	<u>(839,700)</u>	<u>(361,568)</u>	<u>(212,625)</u>	<u>148,943</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	150,000	900,000	900,000	0
	<u>150,000</u>	<u>900,000</u>	<u>900,000</u>	<u>0</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ (689,700)</u>	<u>\$ 538,432</u>	687,375	<u>\$ 148,943</u>
Fund balance, July 1			<u>454,332</u>	
Fund balance, June 30			<u>\$ 1,141,707</u>	

**YELLOW BOOK
AND
STATE LEGAL COMPLIANCE
REPORTS**



THE C.P.A. NETWORK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS
LOCAL FINANCIAL SPECIALISTS

**REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council and Mayor
Lindon City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of and for the year ended June 30, 2005, which collective comprise Lindon City Corporation, Utah's basic financial statements and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lindon City Corporation, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 to 05-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

Confiderus Group, Inc.
A Strategic Professional Alliance

Members:

The C.P.A. Network, LLC
Audits
Reviews
Compliations

Integritas Public Accounting, LC
Tax
Accounting
Payroll
Business Consulting

Fibonacci Financial, LC
Financial Planning
Asset Management
Risk Management

Page 47

Members of the American Institute of Certified Public Accountants

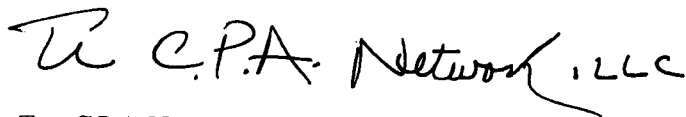
560 SOUTH 100 WEST, SUITE 12, PROVO, UT 84601
(801) 375-2969 • FAX (801) 375-2954

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lindon City Corporation, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters relating to the Utah State compliance Report which are described in the accompanying Utah State compliance Report.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 15, 2005

LINDON CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

05-1 Cash receipts

Finding: There is no segregation of duties for cash receipts. Although the task of receiving cash is assigned to a few employees, almost everyone working under the treasurer performs this task at one time or another.

Recommendation: The City should review cash receipting process.

City's response: The City is currently in the process of reviewing its internal control environment and systems.

05-2 Accounting system security

Finding: Many staff have unlimited access to the Caselle computerized accounting system, allowing for potential manipulation of the accounting records due to lack of security of computer system access.

Recommendation: Complete an internal control system review that includes the computerized accounting system and implement the recommendations from that review.

City's response: The City is currently in the process of reviewing its internal control environment and systems.

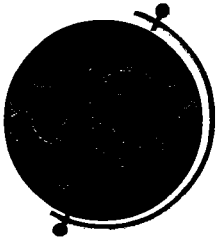
05-3 Periodic "Monitoring" of anti-fraud and internal control systems

Finding: The City does not have a system in place to periodically monitor its anti-fraud and internal control systems.

Recommendation: Implement an effective monitoring process into the City's internal control environment and systems.

City's response: The City is currently in the process of reviewing its internal control systems.

(The remainder of this page is intentionally left blank)



THE C.P.A. NETWORK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS
LOCAL FINANCIAL SPECIALISTS

**UTAH STATE COMPLIANCE REPORT BASED ON THE
REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY
THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE**

Honorable Members of the City Council and Mayor
Lindon City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 15, 2005. As part of our audit, we have audited Lindon City Corporation, Utah's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Justice Courts Compliance
Uniform Building Code Standards
Impact Fees
Other General Compliance Issues

The management of Lindon City Corporation, Utah is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Confiderus Group, Inc.
A Strategic Professional Alliance

Members:

The C.P.A. Network, LLC

Audits
Reviews
Compliations

Integritas Public Accounting, LC

Tax
Accounting
Payroll
Business Consulting

Fibonacci Financial, LC

Financial Planning
Asset Management
Risk Management

Page 50

Members of the American Institute of Certified Public Accountants

560 SOUTH 100 WEST, SUITE 12, PROVO, UT 84601
(801) 375-2969 • FAX (801) 375-2954

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described below. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the final paragraph of this report.

A. Current Year Immaterial Instance of Noncompliance

1. Segregation of Duties

Finding:

Lindon City Corporation has a limited number of personnel to perform various accounting functions, in particular, adequate review and approval of the general ledger journal entry process. Therefore, total segregation of duties is not feasible. To correct this weakness would require the City to hire additional personnel which would not be cost effective.

City's Response:

The City has no plans to add personnel until such time as the City's growth warrants the additional expenditure. The City is in the process of reviewing internal controls during the current fiscal year.

2. Excess Fund Balance

Finding:

General fund balance exceeded maximum by \$387,629.

Recommendation:

We recommend that the City expend or reserve the excess fund balance in the next fiscal year.

City's Response:

The City concurs.

3. Budgeted Property Tax

Finding:

Budgeted property tax does not match form TC-693 submitted to the county.

Recommendation:

We recommend that the City follow its current policy of using a reasonable estimate of expected property tax collections for budgeting and not amend its budget to match the amounts submitted to the county.

City's Response:

The City concurs.

B. Current Status of Prior Year Immaterial Instances of Noncompliance

1. Expenditures Over Budget

Finding:

The City's expenditures exceeded budget in the following departments or funds:

General Fund:

Law Enforcement \$ 3,799

Current status:

Resolved.

2. Segregation of Duties

Finding:

Lindon City Corporation has a limited number of personnel to perform various accounting functions, in particular, adequate review and approval of the general ledger journal entry process. Therefore, total segregation of duties is not feasible. To correct this weakness would require the City to hire additional personnel which would not be cost effective.

Current status:

Ongoing, see current year finding #1.

3. Court Fines Surcharges

Finding:

Court fines surcharges have not been distributed to the Utah State Treasurer by the 10th of the month following collection.

Current status:

Resolved.

4. Excess Fund Balance

Finding:

General fund balance exceeded maximum by \$399,418.

Current status:

Ongoing, see current year finding #2.

5. Budgeted Property Tax

Finding:

Budgeted property tax does not match form TC-693 submitted to the county.

Current status:

Ongoing, see current year finding #3.

In our opinion, Lindon City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

The C.P.A. Network, LLC

THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah

December 15, 2005

LINDON CITY
100 North State Street
Lindon, Utah 84042-1808



TEL 801-785-5043
FAX 801-785-4510

March 23, 2006

MacRay A. Curtis, CPA, Director
Local Government Division
State of Utah, Office of the State Auditor
PO Box 142310
Salt Lake City UT 84114-2310

FAX: 801-538-1383

Re: Your letter dated February 06, 2006

Dear Mr. Curtis,

Please accept this letter as Lindon City's corrective action plan.

Area of noncompliance

Lindon City exceeded fund balance limitations in the General Fund.

Correction Action Plan

The excess fund balance will be used for park property and other capital improvements as well as road construction for the extension of 700 North.

Contact Persons Responsible for Corrective Action

Ott Dameron, City Administrator

Kristen Colson, Finance Director/Treasurer

Anticipated Completion Date

June 30, 2006

If there are any further questions or concerns, please feel free to contact me.

Your letter dated February 06, 2006

Sincerely,

Kristen Colson
Finance Director/Treasurer

Correction Action Plan

Anticipated Completion Date